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ABSTRACT

Recent reforms assume that welfare recipients can achieve employment if welfare agencies just give them a "push". Over the next ten years, the "employment solution" to welfare faces the following three challenges: (1) employing all employable welfare recipients; (2) helping them get and keep good jobs; and (3) reconstructing a safety net for those who cannot work. When a recession occurs, policies should limit the damage to the poor by expanding funding for welfare and jobs creation. Examples are provided of programs that enhance labor demand for welfare recipients, provide extra support for increased labor supply of welfare recipients, and more aggressively link labor demand and supply. The article advocates policies to increase job retention, training programs to increase wages, and suggests a disability program as a safety net. Political realities suggest that an employment policy for welfare recipients must be part of overall employment policies that benefit all Americans who have irregular jobs or low pay. (Contains 21 references.) (YLB)

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Timothy J. Bartik

Employment as a "Solution" to Welfare

Challenges over the Next Ten Years

Employment as a "Solution" to Welfare

Employment-Related Child Care Issues

New Books

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Recent U.S. welfare reforms culminated in the 1996 welfare reform bill. This bill

- changed federal welfare funding from a matching grant to states to a fixed block grant,
- imposed requirements on states to increase employment of welfare recipients or reduce welfare rolls,
- gave states greater authority to deny or cut off welfare benefits, and
- forbade (with some exceptions) using federal dollars to provide welfare to an individual for more than five years during that individual's lifetime.

The bill assumes that employment can and should replace welfare for most welfare recipients. The bill also assumes that many welfare recipients can achieve employment if welfare agencies just give them a "push."

So far, welfare reform has not been the disaster that some predicted. As welfare rolls have declined, employment rates of less-educated single mothers have increased (Figure 1). Half of those moved off welfare gain income, while the other half lose income (Fraker et al. 1997). Overall, welfare reform would have to be given a grade of "B" or "C."

However, a more appropriate grade for welfare reform might be "incomplete." Over the next 10 years, the "employment solution" to welfare faces three challenges: 1) employing all welfare recipients who are employable; 2) helping welfare recipients get and keep good jobs; and 3) reconstructing a safety net for those who cannot work.

Jobs for All?

Some time in the next 10 years, it is likely that the United States will experience a recession. In some local labor markets, this recession may be prolonged. Bad economic times will increase welfare applications and make it more difficult for welfare recipients to find jobs. Furthermore, because current federal welfare law provides for only a very limited expansion of funding in response to a recession, studies suggest that at least in some states, a recession will lead to pressure to cut welfare programs (Levine 1999; Chernick and McGuire 1999).

To minimize the damage to the poor caused by recessions, policy should encourage employment expansion during recessions, particularly in local labor markets with high unemployment. One policy option is a revived New Jobs Tax Credit (NJTC). In effect in 1977 and 1978, the NJTC provided subsidies for

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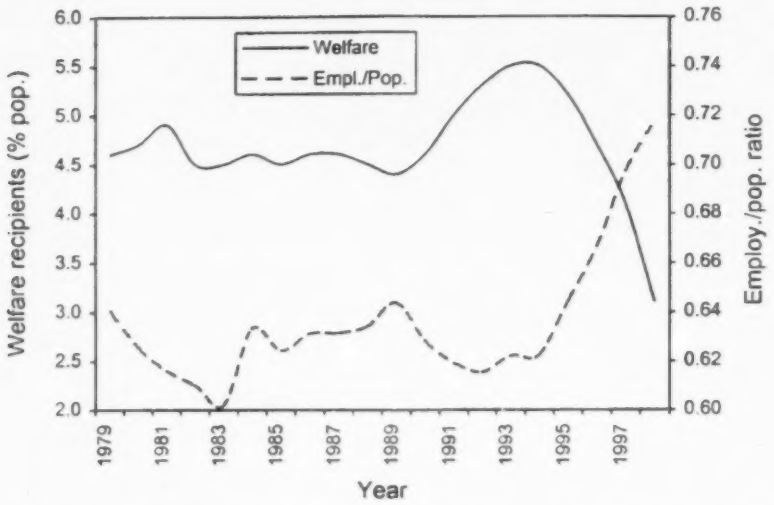
Figure 1 Welfare Recipients as a Percentage of Population and the Employment-to-Population Ratio for Female Heads of Household



NOTE: Welfare recipients is the number of welfare recipients as a percentage of the total population; data are from the U.S. Department of Health and Human Services. The employment-to-population ratio is for female heads of household, with other relatives present, ages 16–44, who have less than a college degree; the data come from the Current Population Survey, Outgoing Rotation Group, and were calculated by the author. Note that because the female heads group is 4 percent of the population, and about half of welfare recipients are in this group, it is unlikely that all of the female heads who leave welfare actually get a job.

firms that expanded employment above some baseline level. Evaluations suggest that the NJTC did increase employment (Perloff and Wachter 1979; Bishop 1981). A revived NJTC might be triggered by high unemployment in a local labor market; research suggests that encouraging employment expansion in high-unemployment areas minimizes effects on inflation (Bartik 1999). In addition, we might consider expanding the federal discretionary fund for welfare block grants during recessions so that states would be encouraged to maintain welfare services.

Even when the economy is booming, not all welfare recipients who are potentially employable will get jobs. The best evidence that demand is inadequate for the disadvantaged is that programs that provide guaranteed jobs for disadvantaged persons usually increase employment of the target group by 60–70 percent of the program jobs (Bartik 1999).

To reach all welfare recipients who are potentially employable requires much more extensive services than the relatively cheap placement services emphasized by current welfare reforms. Services might be needed to enhance labor demand for welfare recipients, to provide extra support for increased labor supply of welfare recipients, and to more aggressively link labor demand and supply. Among the services that might be considered are

- more aggressive placement services that would develop job opportunities for welfare recipients and screen job applicants to ensure they are a good match (e.g., the Minneapolis Neighborhood Employment Network; Molina 1998);
- last resort, temporary community service jobs for welfare recipients in nonprofit organizations (e.g., the recent experiment "New Hope"; Poglinco, Brash, and Granger 1998);
- employment subsidies, distributed in a discretionary manner by labor market intermediaries, to encourage selected small- and medium-sized employers to hire screened welfare recipients (e.g., the Minnesota MEED program of the 1980s; Rode 1988);
- van services, as well as programs to provide welfare recipients with inexpensive but reliable cars;
- increased funding and better organization of child care subsidies, particularly subsidies to provide back-up child care services when primary arrangements fall through.

Will Jobs Pay Off for Welfare Recipients?

Even if we get welfare recipients into jobs, we may not reduce poverty, for several reasons. First, the lack of job retention by many former welfare recipients is a major problem. For example, one welfare-to-work program in Chicago, Project Match, found that 46 percent of the program's clients lost their first job by 3 months, 60 percent by 6 months, and 73 percent by 12 months (Berg, Olson, and Conrad 1991). This job loss limits work experience and its consequent wage gains. Less-educated and more-educated workers who work full-time and full-year make comparable percentage gains in wages (Gladden and Taber 2000), but because most former welfare recipients do not consistently work full-time full-year, real wages for former welfare recipients typically go up on average by only 1 or 2 percent per year (Cancian et al. 1999; Burtless 1995).

So far, policies to increase job retention appear to have been ineffective. The Postemployment Services Demonstration, which tried to increase job retention for former welfare recipients by providing intensive case management services, did not significantly increase employment of participants (Rangarajan and Novak 1999). Greater job retention may require helping employers to improve their front-line supervision and mentorship of new hires from the welfare rolls. Different employers have quite different job retention success with welfare recipients. For example, job retention rates differ greatly with the industry of the employer (holding wages and occupation constant), which may

reflect different employment practices in these industries (Bartik 1997).

Another problem for employed ex-welfare recipients is that their jobs pay low wages, typically around $6–7 per hour (Cancian et al. 1999). Increasing the minimum wage helps a little, but the minimum wage increases needed to help a lot would probably be large enough to reduce job availability. Increasing the Earned Income Tax Credit further would also help, but increasing the EITC for families with children by too much beyond its current maximum subsidy of 40 percent would be difficult, requiring either that families remain eligible for the EITC at higher incomes than at present or imposing a higher implicit tax rates as the higher EITC is more quickly phased out.

So far, welfare reform has had it easy: pushing the most employable welfare recipients into a job . . . in a booming economy.

A more promising way to increase wages would be improved training programs that would enable ex-welfare recipients to be hired in higher-paying occupations. A few training programs have been able to effectively target higher-paying occupations, for example the Center for Employment Training (Melendez 1996) and Project Quest (Lautsch and Osterman 1998). These training programs are distinguished by their focus on particular industry and occupation sectors, their cultivation of close ties with employers in designing their training, their efforts to ensure that program graduates have the skills that employers need, and their aggressive outreach efforts to develop job opportunities for graduates in the targeted sectors.

The current "work first" approach to welfare reform discourages even six-month training programs. Such training is perceived by some welfare reform advocates as inequitable compared with what is available to other low-wage workers. Training programs may be more politically viable as part of a workforce advancement program available to all low-wage workers. All workers might be made eligible for larger and more generous training/education loans to allow them to take night classes or take time off for education. Loan terms might be more generous for lower-income families. Such loans might be repaid as a percentage of future income, with loan repayments collected by the IRS (Bluestone and Harrison 2000).

Can Everyone Work All the Time?

Another issue is how public policy should respond to persons who at any particular time are unable to find a job. First, there are individuals who temporarily may be unable to work, either due to economic conditions or temporary disabilities. Many low-wage individuals who lose jobs are ineligible for unemployment insurance. Federal and state lifetime limits for welfare receipt may make hundreds of thousands of individuals permanently ineligible for welfare benefits (Duncan et al. 1998; Moffitt and Pavetti 2000).

We need to recreate some safety net for these individuals while continuing to encourage work among welfare recipients. One policy option is to allow individuals to over time recover some eligibility for welfare assistance, for example allowing one month of additional welfare eligibility for every one year off welfare.

Second, physical and mental health barriers to employment are so extensive for some welfare recipients that working successfully in an unsubsidized job is unlikely. One study found that of welfare recipients who had 7 or more barriers to employment out of the 14 barriers considered (about 3 percent of the welfare population), only 6 percent were employed at least 20 hours per week when contacted 7 to 10 months later (Danziger et al. 1999). Many of these individuals should probably be made part of the disability system.

At the current time, the disability system in the United States is under debate. There are financial pressures to reduce the growth of Social Security disability and of payments to disabled persons under the SSI program. In addition, the Americans with Disabilities Act (ADA) has set up a federal policy that employers should try to make reasonable accommodations to allow persons with disabilities to work. However, the welfare system has included some individuals who really cannot work in regular jobs and should be transferred to the disability system. Furthermore, some of these individuals will not be able to work regularly without extensive accommodations. If we truly want everyone to work, this will require very expensive sheltered workshop jobs. In some cases, it may be simpler, cheaper, and fairer to just provide these ex-welfare recipients with disability payments.

Conclusion

So far, welfare reform has had it easy: pushing the most employable welfare recipients into a job, any job, in a booming economy. The harder challenges are how to reach the rest of the welfare recipients, either with a job or with some sort of safety net or disability program, and how to get welfare recipients to get and keep full-time, full-year jobs with adequate pay. Political realities suggest that it will be difficult to develop policies to do this that are not part of broader policies meant to help many more persons than just welfare recipients. An employment policy for welfare recipients must be part of overall employment policies that benefit all Americans who have irregular jobs or low pay.

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